



April 11, 2007

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Audit Report—Merced County, Grant Agreement HD12-03-10

Enclosed is the final report on our audit of Merced County's (County) Household Hazardous Waste Discretionary Grant HD12-03-10 for the period October 1, 2003 to March 31, 2006. The Department of Finance, Office of State Audits and Evaluations (Finance), performed this audit under an interagency agreement with the California Integrated Waste Management Board. The audit included a review of receipts, expenditures, internal controls, and compliance with certain grant agreement provisions.

We found that the County complied with the fiscal requirements of its grant agreement, and its revenue and expenditures were fairly stated. Because there were no audit findings or issues requiring a response, we are issuing the report as final. The enclosed report is for your information and use. We have also sent a copy to the County. In accordance with Finance's policy of increased transparency, the final report will be placed on the Finance website.

If you have any questions regarding this report, please contact Sue Botkin, Manager, or Rick Cervantes, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Diana L. Ducay, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Tom Estes, Deputy Director, Administration and Finance Division, California Integrated Waste Management Board
Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, California Integrated Waste Management Board
Ms. Bonnie Cornwall, Supervisor, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board
Mr. John Volanti, Director of Public Health, Merced County
Mr. Jeff Palsgaard, Director, Division of Environmental Health, Merced County

A GRANT AUDIT

Merced County
Household Hazardous Waste Discretionary Grant
Grant HD12-03-10
For the Period October 1, 2003
through March 31, 2006

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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PREFACE

The Department of Finance, Office of State Audits and Evaluations, performed this audit under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded a \$297,546 grant (HD12-03-10) to Merced County (County) to participate in the Household Hazardous Waste Discretionary Grant Program. The grant was funded by the Integrated Waste Management Account and covered the reporting period October 1, 2003 through March 31, 2006.

The objective of this audit was to determine the County's fiscal compliance with the aforementioned grant. The audit also assessed the County's compliance with applicable laws, regulations, and grant agreement requirements, as well as a review of internal control. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the County.

This report is intended for the information and use of Board and County management. However, the report is a matter of public record and its distribution is not limited.

STAFF:

Susan Botkin, CGFM
Manager

Rick Cervantes, CPA
Supervisor

Ramon Juarez



INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95814-4025

We have audited the accompanying Merced County (County) *Statement of Revenue and Expenditures* (Statement) for grant agreement HD12-03-10 for the period October 1, 2003 through March 31, 2006, executed between the County and the California Integrated Waste Management Board (Board). The Statement was prepared from the County's records and is the responsibility of County management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared, as described in Note 4, for the purpose of determining the County's fiscal compliance with the aforementioned grant agreement. The Statement is not intended to be a presentation of the County's total revenue and expenditures.

In our opinion, the Statement referred to above presents fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreement HD12-03-10 for the period October 1, 2003 through March 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, and the grant agreement, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Generally Accepted Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Board and County management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

Janet I. Rosman, CPA
Assistant Chief, Office of State Audits and Evaluations
(916) 322-2985

November 16, 2006

STATEMENT OF REVENUE AND EXPENDITURES

Merced County
Household Hazardous Waste Discretionary Grant Agreement HD12-03-10
For the Period October 1, 2003 through March 31, 2006

Revenue:	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
State Grant	\$ 296,896	\$ 296,896	\$ 0
Expenditures:			
Permanent Collection Facility	255,833	255,833	0
Temporary/Mobile Collection	30,099	30,099	0
Publicity and Education	4,888	4,888	0
Personnel/Other	<u>6,076</u>	<u>6,076</u>	<u>0</u>
Total Expenditures	<u>296,896</u>	<u>296,896</u>	<u>0</u>
Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

Merced County Household Hazardous Waste Discretionary Grant Agreement HD12-03-10 For the Period October 1, 2003 through March 31, 2006

NOTE 1 Description of the Reporting Entity

Merced County (County) is a political subdivision organized under the general laws of the State of California, and as such can exercise the powers specified by the constitution and laws of the State. The County is governed by an elected five member Board of Supervisors.

NOTE 2 Program Information

The Legislature created the Integrated Waste Management Account (Public Resources Code Section 48001) to support the reduction, recycling, and reuse of solid waste; and also the protection of public health and safety through regulation of solid waste handling. The California Integrated Waste Management Board administers the Integrated Waste Management Account, which includes the Household Hazardous Waste Discretionary Grant Program.

The Household Hazardous Waste Discretionary Grant Program provides grant funding to local governments and agencies with direct responsibility for solid waste management to develop and promote alternatives to the illegal disposal of household hazardous waste (including used motor oil).

NOTE 3 Description of Household Hazardous Waste Discretionary Grant Agreement

The County received a \$297,546 grant award (HD12-03-10) from which it claimed and was reimbursed \$296,896 in grant funds. This grant provided funding for the County to:

- Expand current Household Hazardous Waste programs for the collection, proper storage, and disposal of electronic (e-waste) and universal (u-waste) at the permanent Highway 59 Household Hazardous Waste site and the Billy Wright Recycle-Only Household Hazardous Waste site.
- Improve current collection conditions for general household hazardous waste at both permanent sites.

- Expand collection opportunities in the underserved areas of Merced and Mariposa counties by conducting nine one-day u-waste mobile collection events.
- Develop and implement a public outreach and education campaign which will educate the community on e-waste and u-waste and foster sustainable behavior.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statement presented in this report was prepared from the County's accounts and financial transactions. The Statement summarizes grant revenue and expenditures recorded during the reporting period October 1, 2003 through March 31, 2006.

The Statement summarizes the County's transactions pertaining to grant agreement HD12-03-10 only, and is not intended to represent all of the County's financial activities.

B. Basis of Accounting

The County's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and earned, and expenditures are recorded at the time the liabilities are incurred.